

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR APPROVAL OF A GENERAL CHANGE IN) DOCKET NO. 16-052-U
RATES, CHARGES AND TARIFFS)

Rebuttal Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

Gwin Cash
Rebuttal Testimony

I. INTRODUCTION

Q. **Please state your name and business address.**

A. My name is Gwin Cash. My business address is 321 North Harvey Avenue, Oklahoma City, Oklahoma 73101.

Q. **Are you the same Gwin Cash who filed Direct Testimony in this Docket?**

A. Yes.

Q. **What is the purpose of your Rebuttal Testimony?**

A. The purpose of my testimony is to rebut the positions of various Staff and Intervenor witnesses. Specifically, I will be addressing the following topics:

- Formula Rate Plan (“FRP”) and the recommendations of witness Hilton of the APSC staff and the concerns raised by witness Dismukes for the Attorney General (“AG”);
- Billing determinant *pro forma* adjustments as addressed by witness Swaim of the APSC staff;
- Load Reduction Rider *pro forma* adjustment testified to by Staff witness Brooks;
- Additional Energy Cost Recovery SPP IM reporting as requested by Staff witness Lindholm;
- Centennial Wind Farm reporting release request as addressed by witness Lindholm;
- Prepay Bill Provision recommendations of APSC Staff witness Tubbs; and,
- Reconnect Fee recommendation of witness Lindholm of the APSC staff.

II. OG&E’s FRP RIDER

Q. **Please summarize the recommendations of staff witness Hilton in regards to the FRP request of OG&E?**

A. For purposes of the FRP, Mr. Hilton agrees that the Company should use its Cost of Service Study (“COSS”) for the purpose of determining Arkansas jurisdictional amounts but notes that the COSS should not be used to determine class specific allocations.¹ He

¹ Hilton Direct, pg. 14 lns. 10-15

also recommends that the Company should file its initial Evaluation Report on October 1, 2018 with an effective date of the first billing cycle in April, 2019.² Mr. Hilton also provides a detailed recommendation of how expenses and rate base will be determined for the projected Year.³

Q. Do you agree with the above recommendation by Staff witness Hilton?

A. Yes. These recommendations, noted above, for the FRP are reasonable and the Company accepts them.

Q. Are there any other recommendations by Mr. Hilton you would like to discuss?

A. Yes. In his Direct Testimony, Mr. Hilton states that the Company's DTE ratio for its capital accounts should be fixed at 52/48, with a short-term debt proportion of 2.9%.⁴ This is reflected in his change to the Company's proposed FRP Rider, in Attachments B-5, CII. E. 4, and D-5.

Q. Do you agree with this change?

A. No. As discussed in the Direct and Rebuttal Testimony of Company witnesses Hevert and Rowlett, the Company believes that its actual capital structure is appropriate, as such, I have rejected Mr. Hilton's redline, as it pertains to this issue, in the attached FRP tariff, **Rebuttal Exhibit GC-1.**

Q. In his Direct Testimony, AG witness Dismukes raised a concern that there is ambiguity in the Company's proposed FRP test year. What is the Company's response to this matter?

A. Ark. Code Ann. § 23-4-1205(a-2) of the Formula Rate Act states that the Company "shall designate the formula rate review test period based upon either a projected year or a test period under § 23-4-406." The Company, in this Docket, has elected to designate the formula rate review test period be based on a projected year and not based on § 23-4-

² *Ibid.* pg. 15 lns. 9 - 11

³ *Ibid.* pg. 22 ln. 8 – p. 24 ln. 10

⁴ *Ibid.* pg. 25, lns. 1-8

1 406.⁵ The Company's projected year includes the 12 months following the proposed
2 effective date for the first formula rate review filing and each subsequent consecutive 12
3 month period. In Attachment C to the FRP, Section I-D, the Company explains how it
4 will build the projected year. It reads "The Company's Projected Year will be the
5 Historical Year plus documented pro-forma adjustments." The use of the words
6 "Historical Year" is not meant to indicate that the Company is utilizing a Historical Test
7 Year as defined under § 23-4-406 but instead is simply stating the historical data will
8 serve as the starting point for how the Company will build the Projected Year. This view
9 of how to build the Projected Year is supported by Staff witness Hilton in his Direct
10 testimony on page 22 line 8 through page 24 line 10. I would note that, the public utility,
11 per Act 725, is vested with the right to designate a test period, as such OG&E has elected
12 to designate a test period based on a projected year.

13
14 **Q. AG witness Dismukes also raised a concern that about waiting two years to compare**
15 **the Company's Projected Year FRP revenues. What is the Company's response to**
16 **this matter?**

17 **A.** Ark. Code Ann. § 23-4-1206(e-1) of the Formula Rate Act states that "If a formula rate
18 review test period utilizes projected data under § 23-4-406 or a projected year, rate
19 changes under § 23-4-1207 shall include an adjustment to net any differences between
20 the prior formula rate review test period change in revenue and the actual historical year
21 change in revenue for that same year." This netting will occur with the third Evaluation
22 Report filing and is the earliest that it can be included. It is in this third filing when the
23 historical period first contains FRP revenues from when this historical period was the
24 projected test year of the first filing. Only when FRP revenues are included in historical
25 revenues can the actual historical year change in revenue be compared to prior formula
26 rate review test period change, and no sooner. Staff witness Hilton supported this
27 methodology in his direct testimony.⁶

⁵ Cash Direct, pg. 24 ln. 30 and MFR Schedule H-10 Tariffs Sheet No. 80.0, Section 80.3-B.

⁶ Hilton Direct, pg. 15 lns. 15-17.

1 Q. **Has the Company prepared a revised FRP tariff in response to the**
 2 **recommendations of Staff witness Hilton and to clarify for witness Dismukes, how**
 3 **the Projected Year is built?**

4 A. Yes. Rebuttal Exhibit GC-1 is attached to my testimony and reflects the Company's
 5 agreed-to changes of Staff witness Hilton's Direct Exhibit JH-9, along with the correction
 6 of two typographical errors. In addition, the Exhibit includes revised language to
 7 Attachment C, Section I-D that explains how the Company will build the Projected Year.
 8

9 **III. REVENUE AND BILLING DETERMINANT *PRO FORMAS***

10 Q. **Has the Company reviewed Staff witness Swaim's calculation of the *pro forma***
 11 **billing determinants and does the Company believe they should be accepted over the**
 12 **Company's as he recommends?**

13 A. I have reviewed Staff witness Swaim's workpapers in support of his calculated billing
 14 determinants and verified their accuracy. While the Company does not believe that
 15 Swaim's methods are unreasonable, the Company believes its methods of determining the
 16 *pro forma* adjusted billing determinants to be better and recommends that the
 17 Commission reject the Staff's billing determinants and utilize the Company's. I would
 18 note that the differences between Staff and the Company's billing determinants are
 19 minor.
 20

21 Q. **Staff witness Brooks has proposed to reduce the IS-25 ECR Rider adjustment by the**
 22 **amount of \$2.732M for Load Reduction Rider subscription payments to account for**
 23 **this cost moving to base rates⁷. Does there need to be a similar adjustment to**
 24 **revenues?**

25 A. Yes. In its filed case OG&E made an adjustment to revenues matching those rider
 26 expenses the Company is requesting to be including for recovery in base rates. This
 27 matching adjustment for revenues is IS-11 in the Schedule C of the updated MFR. In its
 28 filed case this amount was \$6.682M and should be increased to \$9.686M to match the
 29 amount of \$2.974M the Company is requesting in its rebuttal. The justification for the
 30 Company's request is provided by Company witness Thenmadathil in his rebuttal
 31 testimony on page 5 lines 23 – 27. Support for the increase to IS-11 is provided in

⁷ Brooks Direct, pg. 10 lns. 1-7

1 workpaper “Revenue Requirements for Riders - Rebuttal - LRR Addition.xlsx” and is
2 being submitted along with this testimony. I recommend the Commission accept the
3 Company’s amounts for this adjustment.
4

5 IV. REPORTING REQUIREMENTS

6 **Q. Staff witness Lindholm recommends three new reporting requirements for the ECR**
7 **Rider relating to the SPP IM⁸. What is the Company’s position in regards to this**
8 **request?**

9 A. The Company does not object to this request and is willing to provide these reports as
10 requested.
11

12 **Q. Staff witness Lindholm recommends rejecting the Company’s request to discontinue**
13 **the Centennial Wind Fuel Savings report⁹. What is the Company’s response to this**
14 **recommendation?**

15 A. OG&E believes this recommendation to be unnecessary. Witness Lindholm states that
16 the downward trend of Centennial savings reflects the impact of declining natural gas
17 prices and cites this as the reason for needing to continue the report. OG&E agrees that
18 the decline in natural gas prices drove the downward trend in savings. Natural gas is a
19 primary driver of OG&Es nonrenewable energy costs. Since Centennial cost is compared
20 to the Company’s nonrenewable energy costs to determine the savings it is expected that
21 when natural gas prices are high, Centennial provides savings. When natural gas prices
22 are low, the Centennial savings decline. Every year since Centennial has been on-line
23 Arkansas customers have realized savings, and only when natural gas prices are
24 historically low do customers experience months with little to no savings. This reality is
25 an indicator that Centennial will continue to be beneficial to Arkansas customers as a
26 hedge against rising fuel costs. The purpose of this report was to demonstrate the value
27 of the Centennial wind farm to customers. For 10 years, this has been demonstrated and
28 the Company believes the report is no longer necessary.

⁸ Lindholm Direct, pg. 13 ln. 20 – pg. 14 ln. 8

⁹ *Ibid.* pg. 16 lns. 1-4

V. CHANGES TO OG&E'S TERMS & CONDITIONS

Q. **Do you agree with Staff witness Tubbs PayGo recommendations¹⁰ to include protections for serious medical conditions and to exclude accounts identified as landlord/tenant situations?**

A. Yes. The Company accepts the Staffs redline update to its Section 220 of the Terms and Conditions Prepay Bill Provision (PayGo).

Q. **What is Staff witness Lindholm's recommendation for the Reconnect Fee?**

A. Witness Lindholm recommends that OG&E's proposed decrease to \$30 per service reconnection be reduced further to \$1.75.¹¹ Witness Lindholm accomplishes this reduction by taking a weighted average cost of a remote disconnect and the cost of a manual disconnect.

Q. **Do you have any comments on witness Lindholm's method of pricing the Reconnect Fee?**

A. Witness Lindholm's approach is reflective of a methodology that grossly underestimates cost by using estimates for clerical task times and field travel times¹². Witness Lindholm's approach to the pricing of the Reconnect Fee represents a move away from the known and measurable standard. Witness Lindholm also excludes from her calculation the cost of disconnect notices and system cost¹³ associated with the automated shutoff process. These costs are socialized by moving them into base rates where customers in good standing subsidize this cost incurred by customers being disconnected for nonpayment. OG&E would also note that witness Lindholm's recommendation is a 95% reduction to the price, which appears to be inconsistent with Staff witness Swaim's principles, as expressed in his recommendation to moderate changes to customer charges for residential rates¹⁴.

¹⁰ Tubbs Direct, pg. 7 ln. 21 – pg. 8 ln. 3

¹¹ Lindholm Direct, pg. 10 lns. 7-9.

¹² *Ibid.*, pg. 9 ln. 9 – pg. 10 ln. 3.

¹³ System Costs are defined as: Critical Operation Protector, Utility IQ, Wide Area Network.

¹⁴ Swaim Direct, pg. 20 lns. 7-9

1 Q. **What was the Company's approach to the pricing of the Reconnect fee?**

2 A. The Company relied on a known and measurable standard in determining its proposed
3 Reconnect fee of \$30. For example, with respect to call center cost, the Company
4 received 13,947 calls in regards to disconnects and reconnects and the Company's
5 average cost per call is \$4.04. These are known and measured values and these two
6 numbers together provide a total cost for phone calls alone of \$56,280.¹⁵ This cost alone
7 divided by the 5,660 reconnects issued during the test year would require in a reconnect
8 fee of \$10. Additionally, in the test year there was \$58,910 of cut off notice cost which
9 alone would require a Reconnect fee of \$10. These two categories of costs alone require
10 a reconnect fee of \$20, a substantial difference from the \$1.75 recommended by witness
11 Lindholm. OG&E is confident that its proposed fee of \$30 is cost based, reduces the cost
12 of a reconnect, and removes a subsidy, in base rates, that exists currently.
13

14 **VI. CONCLUSION**

15 Q. **Does this conclude your rebuttal testimony?**

16 A. Yes.

¹⁵ WP Arkansas Reconnect Fee.xlsx, tab: Recon Fee